

# **CORRECTED FISCAL NOTE**

## **HB 2441 – SB 2545**

April 7, 2008

**SUMMARY OF BILL:** Exempts from state and local sales tax the retail sale of books by non-profit public library support organizations, when such proceeds are used solely for public library purposes.

### **ESTIMATED FISCAL IMPACT:**

On January 29, 2008, we issued a fiscal note for this bill indicating the following estimated fiscal impact:

*Increase State Expenditures - \$5,000 / One-Time*

*Decrease State Revenue - \$14,000 / Recurring*

*Decrease Local Gov't. Revenue - \$4,500 / Recurring*

*Other Fiscal Impact – Additional foregone state and local government revenue of unknown amounts if any eligible charitable organization increases their sale of books as a direct result of this legislation.*

Based on additional information received from the Department of Revenue and the Secretary of State, we corrected the original fiscal note on February 25, 2008 to reflect the following estimated impact:

*(CORRECTED)*

*Decrease State Revenue – \$56,600*

*Foregone State Revenue – Exceeds \$238,000*

*Increase State Expenditures - \$5,000 / One-Time*

*Decrease Local Revenue – \$18,200*

*Foregone Local Revenue – Exceeds \$76,600*

Based on new information received from the Secretary of State and the State Librarian and Archivist, the fiscal impact for this bill is estimated as follows:

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**(CORRECTED)**

**Decrease State Revenue – \$52,400**

**Foregone State Revenue – Exceeds \$58,900**

**Increase State Expenditures - \$5,000 / One-Time**

**Decrease Local Revenue – \$16,800**

**Foregone Local Revenue – Exceeds \$18,900**

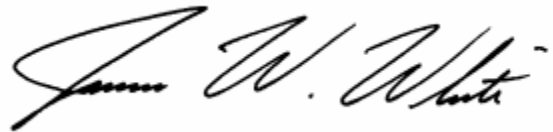
Assumptions:

- According to the State Librarian and Archivist, there are 187 library systems in Tennessee.
- The number of non-profit public library support organizations is estimated to be 187 (one per library system).
- This bill requires any such non-profit public library support organization to obtain an exemption certificate from the Commissioner of Revenue declaring that such organization is entitled to the exemption.
- Based on information provided from the State Librarian and Archivist, it is estimated that eligible charitable organizations generate an average of \$5,000 in annual revenue from the sale of books for the purpose of supporting public libraries.
- Total sales are estimated to be \$935,000 (187 organizations X \$5,000 = \$935,000) per year.
- Twenty percent of estimated sales are exempt as a result of two authorized tax-exempt temporary sales each year.
- Taxable sales are estimated to be (\$935,000 x 80% = \$748,000) per year.
- The decrease of state revenue is estimated to be \$52,400 (\$748,000 x 7.0% = \$52,360) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease of local government revenue is estimated to be \$16,800 (\$748,000 x 2.25% = \$16,830) per year.
- According to the Department of Revenue (DOR), some library support organizations may be able to register as dealers under this bill in order to buy new books with the intention of selling them tax free as long as the proceeds supported public libraries.
- Each eligible charitable organization will be authorized to have an unlimited number of additional sales and be authorized to sell an unlimited number of books under this bill.
- At least six additional sales per year.
- Each eligible charitable organization sells a minimum of 150 books at each additional sale.
- The average price per book is estimated to be \$5.

- Additional sales are estimated to exceed \$841,500 (187 organizations x 6 additional sales x 150 books x \$5 = \$841,500) per year.
- Foregone state revenue is estimated to exceed \$58,900 ( $\$841,500 \times 7.0\% = \$58,905$ ) per year.
- Foregone local revenue is estimated to exceed \$18,900 ( $\$841,500 \times 2.25\% = \$18,934$ ) per year.
- According to DOR, departmental expenditures would increase as a result of designing exemption certificates, registering such entities as tax-exempt organizations, and for computer programming changes. Such one-time increase of state expenditures is estimated to be \$5,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc